Federal Highway Revenue

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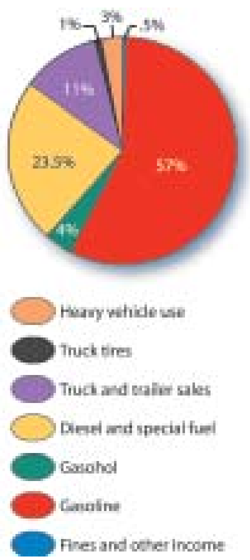
Federal Highway Trust Fund

The Federal Highway Trust Fund is the primary source of funds for federal surface transportation programs. Below is a chart from the Federal Highway Administration showing sources of revenue to the highway trust fund by category for fiscal year 2000.

Highway Account Revenues for Fiscal Year 2000



Indiana and TEA-21

On June 9, 1998, President Clinton signed TEA-21 into law. The legislation authorizes the federal-aid highway, transit, safety and research programs charged with maintaining and improving the nation's surface transportation system. The Indiana Department of Transportation supports the legislation for its equity, flexibility and budget protections.

Two provisions of TEA-21 provide increased funding for Indiana. The legislation provides a guaranteed level of funding for fiscal years 1998 to 2003 by taking highway and transit program funding "off budget". This means that these programs no longer have to compete with other federal priorities for scarce dollars.

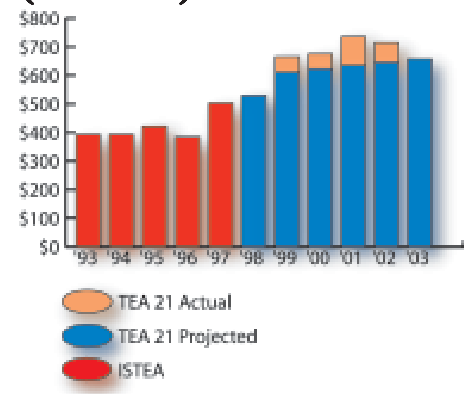
Because of the off budget provisions, transportation agencies know the minimum funding they will receive through the life of TEA-21 and can better plan for future projects.

The second provision that increased Indiana's funding was a minimum guarantee on its rate of return from the highway trust fund.

Indiana's federal highway funds increased an average of $261 million per year over the average of the ISTEA years. INDOT, cities and counties share these federal funds.

The graph below shows the amount of funding Indiana received from ISTEA/TEA-21 between 1993 and 2003.

ISTEA/TEA-21 Funding (in millions)



Indiana's Rate of Return

Before the passage of TEA-21, Indiana received only 78 percent of its share of contributions to the Federal Highway Trust Fund back to use for highway maintenance and construction, one of the lowest percentages in the nation. It would seem equitable for a state to receive back from the federal government an amount proportionately equal to the taxes it paid into the trust fund. However, until recently, states received distributions from the fund in widely varying amounts as a result of the complex laws and formulas governing these monies.

Therefore, Indiana joined with a coalition of states to ask Congress for a more equitable distribution of the gas taxes paid by each state, at a minimum of 95 percent. Congress responded with a significant increase in the guaranteed rate of return, increasing it to 90.5 percent. This allowed Indiana to make the necessary preservation and improvements to the highway system to maintain the mobility and safety of the traveling public.

With the expiration of TEA-21 due on September 30, 2003, Indiana continues to work toward an equitable distribution of the federal highway dollars, while continuing the protections given towards the highway trust fund. Indiana is again seeking a guaranteed 95 percent minimum return for every state on its share of contributions to the highway trust fund, and applied to all of the distributions from the highway trust fund to the states.

Every state has significant transportation needs that must be met with the user fees paid by their drivers both on the state and federal levels. By building on the successes of TEA-21, each state can invest in and solve the infrastructure needs of its citizens and its industries, merely by using the funds that citizens and industries paid in the first place.

Fiscal Year 2002 Rate of Return on Contributions to the Federal Highway Trust Fund (in millions)